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## **Schooling China in the American Way**

Senators Preach Free Trade and Speech to Lukewarm Hosts

By Peter S. Goodman

BEIJING, March 22 -- Three United States senators came to one of China's most prestigious universities on Wednesday, ostensibly to talk about trade. What they delivered was an expansive, almost evangelical campaign for American values -- one that received pushback from their audience of students and faculty.

The senators talked about an unfair advantage they say Chinese exporters enjoy over American firms because of the low-value currency. They implored China to adopt the norms of global trade. In strikingly moral tones, they pledged Washington's resolve to pressure China to liberalize not only its currency regime but also its political culture, using trade as a wedge for broader reform.

Tom Coburn (R-Okla.) told the Tsinghua University audience that his model of leadership is "a man by the name of Jesus." He later quoted Martin Luther King Jr. as he urged China to do "the right thing" on trade policy.

Lindsey O. Graham (R-S.C.) told the students that, post-9/11, Americans are committed to taking on whatever battles seem imperative -- China's cheap currency, along with al-Qaeda.

"In my country, we're very arrogant, and I admit to it," Graham said. "You have to understand that Americans have for 200 years fought and died not just for our freedom, but for other people's freedoms."

Charles E. Schumer, the New York Democrat who has led the drive to force China to raise the value of its currency, the yuan, said economic reform leads toward a free society. "I believe it is inevitable that China will have much more freedom," he said.

But when the time came for questions, the reaction from students and faculty -- though polite and reserved -- revealed how the American campaign for a free-floating Chinese currency has backfired in some quarters. Many here resent the specter of the world's lone superpower seemingly attempting to dictate how Beijing should manage its economy and the values that should govern Chinese society.

A 21-year-old architecture student who gave his name as Albert rejected the idea that the civil liberties the senators suggested have universal appeal.

"Have you ever thought that it is probably the freedom of speech that you guys promote that finally resulted in this terrorist attack," he said, calling 9/11 an act of "revenge" for American offenses against Islam. "In China, we have promoted the harmony that would have prevented this kind of attack."

Schumer leapt from his chair. "I don't think you understand the concept of freedom of speech," he said. "It is our American understanding that freedom leads to stability."

Economist Li Daokui, a member of Tsinghua's faculty, told the senators that he lived in the United States for more than 15 years and "loves the country." But he warned them that the senators' pressure for change was provoking a defensive response from those who might otherwise be friendly to reform.

"Democracy, personal liberties and freedom of speech: These are ideals," Li said. "My worry is that if some people press things too quickly, you will undermine the whole process."

He questioned whether a revaluing of China's currency would create any jobs in the United States.

A man in a blue suit demanded to know how many U.S. senators -- now moving toward a vote on a trade bill that could have great consequences here -- have ever visited his country. "Many Americans are not very well informed of the real situation in China," he said.

Schumer, Graham and Coburn are in China for five days for what they say is an examination of the forces at play before they decide whether to proceed with a vote on the bill at the end of the month. With China's President Hu Jintao scheduled to visit the United States in April and a U.S. Treasury Department report in the works that could brand China a currency manipulator, the Schumer-Graham bill has become a key front in an increasingly tense trade relationship between the countries. It would apply 27.5 percent tariffs to all Chinese-made goods if China does not substantially revalue the currency.

The bill has gained momentum as China's trade surplus with the United States has grown, swelling to \$200 billion last year. But many economists assert that even a significant revaluation would do little to alter the trade balance, noting that many of the goods China exports, such as clothing and furniture, have not been made in large quantities in the United States for years. Others called the trip political posturing.

But the reception the senators are receiving attests to the gravity of the issue for China's leaders, who are cognizant of the angry mood in Washington. The senators dined Wednesday night with Zhou Xiaochuan, the governor of the People's Bank of China. They were to meet Thursday with Vice Premier Wu Yi.

The senators said they were here to discuss not only the currency but also China's failure to crack down on routine theft of intellectual property (from pirated Hollywood movies to counterfeit pharmaceuticals), as well as barriers to foreign investment here. The currency issue "has become a metaphor for the whole trade relationship," Schumer said.

China has been emphasizing the difficulties it faces in freeing its currencies, particularly the risk that it could slow economic growth. That message has already gained some sympathy from the U.S. visitors.

"I've learned that you've got 700 million people who need employment, that the interior of your country is not developed," Graham told the students. "I've learned in coming here that for you to change your system very quickly would be very hard for your country. I understand that better now."

Schumer and Graham said they were very impressed by assertions by Chinese officials that they have come to see a free-floating currency as being in their own interest, though they will need to move gradually. "We walk away from this meeting seeing that they are not mouthing it," Schumer said. "They believe."

The senators will also walk away with an appreciation for the pageantry that China uses to great effect in winning over visitors -- even those who come with unpleasant business. On Tuesday night, after an official dinner in the Great Hall of the People, the senators buzzed over the experience.

"It was the most awesome room," Graham said.

"It wasn't your typical Chinese food," added Schumer. "It was amazing stuff, not your usual stuff. And they went easy on us. No sea slugs. No jellyfish."

But if China's culinary achievements left a favorable impression, Schumer was less impressed by the political culture. On Wednesday, as he spoke at the university, he asked for a show of hands from those believing that "freedom is the eventual right path for China to be on." Perhaps a dozen of the 50 or so people in the room tentatively raised hands.

How many disagreed? Five hands went up. How many people were unsure? No one raised a hand, leaving a silent majority expressing no sentiment at all.

"It's still a very controlled society," Schumer said as he boarded the bus that would take him past countless new skyscrapers and on to the five-star St. Regis Hotel. "They've got a ways to go."

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## China Tries to Charm Couple of Senate Skeptics

By JOSEPH KAHN

BEIJING, March 22 — Global Times, a tabloid newspaper in China's capital, usually offers its readers a rich diet of nationalist propaganda on subjects like Japanese war crimes and American hegemony.

So it is telling that it devoted its front page on Tuesday to respectful, even admiring, coverage of the China visit of two United States senators, Charles E. Schumer of New York and Lindsey Graham of South Carolina, who have attacked Beijing for "illegal currency manipulation," "mercantilism" and "failure to play by the rules."

The senators, the paper said, "have sent a positive signal by coming to China to see for themselves."

"It is not like earlier times when members of Congress relied on hearsay or their own imagination when they criticized China," the article said.

With a banquet in the Great Hall of the People, a roster of top-level meetings and fawning attention in the state-run press, China wants to win over Mr. Schumer and Mr. Graham.

The reason seems clear: At a time of rising economic nationalism in the United States, highlighted by the rejection of the Dubai ports deal, the Beijing leadership fears that a bill drafted by the senators to impose a 27.5 percent tariff on Chinese exports to the United States has a chance to become law. That would upend economic relations between the world's richest nation and its fastest-growing rival.

The bill would impose the tariffs unless Beijing substantially revalued its currency, the yuan, which critics say the government keeps artificially low. It has met firm opposition from some business leaders and economists, who say they fear a trade war, but it garnered 67 votes in a nonbinding tally in the Senate recently and may come up for a formal vote as soon as March 31.

"They know it's for real," Mr. Schumer said before a private dinner with China's central bank governor on Wednesday evening. "Believe me, the people who are seeing us wouldn't be seeing us if they didn't think it's for real."

The bill and the senators' high-level reception are among the signs that Chinese-American economic relations have become fraught with tensions that trade experts and members of Congress say are the most politically volatile since the fight over China's entry to the World Trade Organization in the late 1990's.

The Bush administration has warned China that its big trade surplus with the United States and industrial-scale violations of American trademarks and copyrights threaten the nations' fast-growing trade ties.

Commerce Secretary Carlos Gutierrez, who will visit China next week, said that unless steps were taken to address American complaints soon, "the administration and the American people may be forced to reassess our bilateral relationship."

Members of Congress have raised the alarm about China's threat to United States manufacturers and workers many times before. But Bush administration officials say the potential for a sustained protest has grown in tandem with China's rising economic power.

China's trade surplus with the United States hit \$201 billion last year, a record for any trading partner and an increase of 24 percent from 2004.

Beijing has controlled its currency within a narrow band around 8 yuan to the dollar, a level that critics say gives it an artificial trade advantage. Despite American pressure, China has allowed its currency to appreciate just 3 percent since it broke a formal, fixed peg to the dollar last July.

China is defending itself against the onslaught, but gingerly. Prime Minister Wen Jiabao, meeting a group of foreign business leaders this week, urged them to convey the message that "it is unfair for the U.S. to scapegoat China for its own structural problems," according to people who attended the meeting.

But Mr. Wen and other top leaders are also trying to improve the atmosphere before President Hu Jintao's first official visit to the United States, scheduled for mid-April. They have promised to tighten enforcement of intellectual property rights and to move steadily toward a more market-driven exchange rate for the yuan, also called the renminbi.

One test of whether Beijing can tame protectionist pressures will be the five-day trip by Mr. Schumer, a Democrat, and Mr. Graham, a Republican, which ends Saturday. The two were joined by Senator Tom Coburn, an Oklahoma Republican, who supports their tariff bill.

The senators declined to say if they had heard anything during their trip to change their minds about the bill. But Mr. Graham said he was "very impressed" with a presentation by a senior economic planner on Wednesday. Mr. Schumer said he had picked up signals "that they are taking the currency where it needs to go, though I'm not sure if they will get there fast enough."

Neither senator has much experience in economic diplomacy. They are lawyers who were not widely noted for their focus on trade, currencies or China before introducing the tariff bill.

Mr. Schumer says his trip to Beijing, Shanghai and Hong Kong is not only the first time he has visited China, but also the first time he has taken an official trip abroad in his 25 years in Congress.

"I'm a homebody," he said. "But somebody has the right to ask, How can you do this if you don't come to China? So we came to China."

Beijing's reaction to their request was cool at first, they said. Mr. Graham joked that of China's 1.3 billion people, "All of them were out of town the week of our visit." Their visas did not come through until shortly before they planned to travel.

But then China laid out a red carpet. They were treated to a banquet in the Hong Kong Room of the Great Hall of the People, the sprawling Stalinist-style meeting hall in Tiananmen Square. They were served dishes that Mr. Schumer, who says his favorite Washington restaurant is Hunan Dynasty on Capitol Hill, pronounced "extraordinary, just extraordinary."

Though they did not get time with Mr. Hu or Mr. Wen, the list of top officials who agreed to meet them is expansive, especially for visitors who do not meet the Chinese leadership's preference for "old friends," or people who have proved sensitive to the Communist Party's interests.

Li Zhaoxing, the foreign minister; Wu Yi, a vice premier and the chief economic troubleshooter; Zhou Xiaochuan, the central bank governor; and Bo Xilai, the commerce minister, are among those on their schedule.

The general sentiment in Beijing is that the threat of the Schumer-Graham tariff can still be headed off. A high tariff would result in "unaccountable losses" to the American economy, because consumers and businesses depend on cheap Chinese imports, said Liu Baocheng, of the Sino-U.S. School of International Management at the University of International Business and Economics in Beijing.

But after the collapse of the Dubai deal, which Mr. Schumer helped bring about, and the failure last summer of a major Chinese energy company's bid to take over the American oil company Unocal, China has grown fearful of surging economic nationalism in the United States.

Mr. Liu said the decision to play host to Mr. Schumer and Mr. Graham took a page from China's courtship of Newt Gingrich, the former House speaker. "He was once an advocate of the China threat, but a visit to China turned him into an opponent of that theory," Mr. Liu told The Beijing Morning News.

Much of what the senators were told by government leaders appears to be a recitation of themes — China's mounting internal social problems, its desire to move toward a fully convertible currency, its plans to stimulate domestic consumption — that officials have

repeated many times in recent months. But Mr. Schumer said: "They're not just mouthing it. They really believe it."

On Wednesday they got a presentation on currency reform from Zhu Zhixin, a top official of the National Development and Reform Commission, a central planning body.

Mr. Schumer said he had pressed Mr. Zhu to address the imbalances between the United States, which is thought to consume beyond its means, and China, which is thought to consume too little relative to its rising wealth. The official pulled out a page from China's newly enacted 11th five-year plan that made the same point.

"It was a golden moment for us," Mr. Schumer said. "He said this was the right way to go. They just had to figure out how to get there."